



USAID
FROM THE AMERICAN PEOPLE

**ASSISTANCE FOR REGIONAL INVESTMENT CENTERS
AND INVESTMENT PROMOTION**

ANNUAL ACTIVITY REPORT 2004

Contract No. PCE-1-00-98-00015-00 TO 826

This publication was produced for review by the United States Agency for International Development. It was prepared by Suzie LeBlanc of Chemonics International Inc.

ACRONYMS

ANIMA	Euromediterranean Network of Investment Promotion Agencies
DCAE	Direction de la Coordination des Affaires Economiques
DI	Direction des Investissements
GOM	Government of Morocco
IPA	Investment Promotion Agency
MEDA	Programme de Coopération du Partenariat Euro-Méditerranéen
MI	Ministry of Interior
MTDS	Morocco Trade and Development Services
PPP	Private Public Partnership
RIC	Regional Investment Promotion Center
SME	Small and Medium Enterprise
UNCTAD	United Nations Commission for Trade and Commerce

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

TABLE OF CONTENTS

INTRODUCTION

A.0 ASSISTANCE TO THE REGIONAL INVESTMENT CENTERS

A.1 IMPROVED ORGANIZATION AND FUNCTIONING OF THE REGIONAL INVESTMENT CENTERS

- Evaluation of the RICs
- Analysis and evaluation of the single form
- Manual of procedures for investment projects
- Performance indicators for the RICs
- Development of computer applications

A.2 CREATION OF PUBLIC / PRIVATE PARTNERSHIPS FOR REGIONAL ECONOMIC DEVELOPMENT

- Study tour to the United States
- Training of local leaders
- Identification of best practices
- Web-based newsletter
- Semi-annual forum for the RICs

A.3 ENHANCED CAPACITIES FOR INVESTMENT PROMOTION

- Development of regional strategies for investment promotion
- Training in investment targeting, support and promotion

B.0 ASSISTANCE TO THE INVESTMENT DEPARTMENT

B.1 STRENGTHENING OF THE FUNCTIONING OF THE INVESTMENT DEPARTMENT AND ITS INFORMATION SYSTEM

- Organizational review of the Investment Department
- Manual of organizational principles and structuring
- Procedures manual and internal management applications

B.2 DEVELOPMENT OF AN INVESTMENT PROMOTION INFORMATION SYSTEM

- Portal site for investment promotion
- Promotional web site

C.0 PROJECT MANAGEMENT AND ADMINISTRATION

CONCLUSION

A. Introduction

This document presents the Year 2004 annual progress report for the USAID/Morocco Assistance for Regional Investment Centers and Investment Promotion Project and covers the period from December 2003 to November 2004. Because the Annual Report provides progress against the Annual Work Plan, it follows the structure of the Work Plan and of Chemonics' task order.

In addition to the description of activities implemented in 2004, the report presents our qualitative assessment of project activities and difficulties encountered in implementation. We also examine each activity's sustainability in light of the project's overall dynamics.

Project Objectives

The primary objective of the Assistance for Regional investment Centers and Investment Promotion Project is to assist the Government of Morocco (GOM) in improving economic opportunities for employment and investment. Consequently the program must:

- Work with the Ministry of Interior (including the RICs and the Annexes) to support, strengthen and expand the management procedures in place; to establish broad partnerships for development; and to improve the investment promotion programs of the RICs;
- Work with the Investment Department (DI) and the Ministries involved in investment promotion to improve the DI's internal operations and strengthen its investment promotion information system.

Project Impact Indicators

The main program impact indicators are the following:

- Improved quality of the government's institutional services
- Increased use of RIC and DI services

Baseline data for these indicators were collected in 2004 (data for 2003) and targeted objectives set for 2004 and 2005. The Project PMP is presented in an independent report.

A. Assistance to the Regional Investment Centers

A.1 Improved organization and functioning of the RICs

Evaluation of the RICs

Between January 15 and February 17, 2004, Chemonics' team visited 14 of the 16 Regional Investment Centres. They spent a full day with each RIC. In all of the regions but one, the Chemonics team also met with the *Wali*, or regional governor. The objectives of the extensive tour were to see how the RICs were structured and how they operated, which lent a sound sense of their strengths and weaknesses. In addition, this tour served to introduce the project's team to the counterparts, and to provide the RICs with first-hand information on the project's mandate. The reader is referred to the full report produced.¹ In summary, the project team noted that:

- Most RICs seemed to have a good image and high profile in their respective communities, and they seemed to operate in a transparent fashion. They were reasonably well furnished with equipment and worked in close collaboration with the *Walis* who, without any exceptions, fully supported them;
- They had previously reduced the time for the registration of an enterprise substantially;
- Investment services provided by the RICs exclusively related to access to public land and property for investment in industry, food processing, mining, tourism, and the craft and building sectors;
- The RICs were facilitators rather than initiators. They had no clear mission, no goals, no strategy and no planning process. They had no sense of communication with investors, no promotion activity, and no marketing departments. The staff involved with providing services to investors were young, inexperienced, limited to French and Arabic for communication, and had no salaries because their status was unclear.
- In spite of the fact that information generally is their stock in trade, the RICs possessed none of the databases IPAs and Economic Development Agencies typically have (i.e., Industrial Services, Available Buildings and Sites, Labor and Skill Availability, etc.).

In the end, the project team concluded that although the USAID project does not address most of the weaknesses noted during the tour, it does address a few, and could have a very positive demonstration effect and influence on the way the RICs evolve.

¹ Visite des Centres Régionaux d'Investissement, March 2, 2004.

Analysis and evaluation of the single form

The single form has been tested over a period of two years and the RICs have recommended to the Direction de la Coordination des Affaires Economiques (DCAE) at the Ministry of Interior that it be simplified. The project held various work sessions with its consultants, Maria Bahnini and Jean-Michel Mas. In accordance with the Ministry of Justice's proposed reform of the Registry of Commerce, the single form is now becoming 9 single forms, one form for each of the different types of company that can be created in Morocco. Each form is "single" in the sense that it collects all the information required by the four (4) different administrations involved in business creation. Clients now only need to complete one form instead of four. The proposed modifications and details of information requested on each form have been sent to the RICs for their review. Subsequently, we will ask a professional graphic artist to do the layout of the forms that will be submitted to the Minister of Interior for drafting of the Ministerial circular. Regardless of the fact that the GOM has not yet granted final approval of the Registry of Commerce reform program, the Ministry of Interior suggested that we proceed, arguing that the legal modification of the form is a simple process that requires a Ministerial circular. Should there be two circulars required, this would not create a problem at the Ministry of Interior.

Manual of procedures for investment projects

The objective of the Manual of Procedures is to streamline and standardize the services offered by the various RICs to domestic and foreign investors. It will contribute to quality and efficiency throughout the country, and ensure a reasonable amount of standardization of service. It is an essential tool for the training of new staff. Most importantly, the Manual of Procedures will ease inter-administration collaboration and transparency. To better appreciate this component, it is important to understand how procedures linked to investment were managed before the RICs were created. It must be remembered that:

- Often final approvals were granted by the Central Administrations. Regional administrations and delegates did not always have the power to approve the various requests presented to them. As a rule, the farther away an investor was from Rabat, the longer it took. In the case of projects of over 20 million \$US, investors could benefit from the Department of Investment's assistance. Investors in smaller projects did not benefit from any assistance, and had to comply with numerous administrative requirements and lengthy procedures..
- When regional representatives had the authority to approve the demands presented to them, they did so in a sequential way (in Morocco approval of investment projects involves multiple demands, authorizations, permits etc.). On average, when there were no unusual difficulties, it took between 6 to 8 months before an investor was finally able to proceed with his/her project.
- Obtaining the exact information on what procedures were necessary and which documents were required was difficult. Investors had to make multiple inquiries (and

visits) to various administrations. Within the same administration, different officers often contradicted each other. Stories of investors turned off by the lack of reactivity of the administration abound. It is generally accepted in all reports on investment trends² that heavy regulations and the resulting administrative delays create higher costs and increased risk for the investor .

- Clear and straightforward information on procedures and documents was not available to the clients, nor was information given on the decisions taken. This lack of transparency fostered corruption. In Morocco, as in other developing countries, heavier regulation is associated with informality and corruption (World Bank, 2004)

The RICs operate differently. First, they ensure that complete and straightforward information on all requirements, regulations and procedures, including documents required and expected delays, is communicated to the investors upon his/her first visit to the RICs. Instead of proceeding in a sequential way, they send the demands to all administrations involved at once, and immediately set the date for a meeting at the RIC. These administrations comprise the Regional Investment Commission.³

RICs already provide a valuable assistance to investors, and their importance is likely to increase in 2005. In the process of regionalization undertaken by His Majesty, twenty five (25) additional delegations of authority are expected to be granted by the central state to the regional Walis (and managed by the RICs).

In addition to the administrative procedures they successfully manage, several RICs hope to serve investors the same way that regional economic development agencies in the United States do. However, before they can undertake more responsibilities in regional economic development, they must structure themselves internally in the most efficient way. The contribution of this project to the strengthening of the RICs is the Manual of Procedures.

Our consultant, Jean-Michel Mas (MTDS), in collaboration with Said Aqri of the Investment Department and Nabil Kharroubi, Mohamed Yacoubi, Kharim Lahlou and Ahmed El Haouti, directors of the RICs of Rabat, Tangier, Agadir and Beni Mellal, respectively, developed the Manual of Procedures for investment projects - we asked for the assistance of these particular officials due to their relative experience with procedural and organizational development. Each of the national administrations involved has been contacted and asked to confirm various aspects of its internal procedures and those of its regional delegations.

² Including World Bank report Doing Business in 2005, and the study by American Chamber of Commerce of Morocco A Survey of Executive Perceptions about Business and Investing in Morocco, 2001.

³ Administrations compliance may not be foreign to the fact that the Walis, through the powers delegated to them in the Royal Letter of January 9, 2002, have the authority to bypass them. In all cases, delays have been reduced from 6 to 8 months to 4 to 6 weeks.

The Manual of Procedures incorporates the 19 procedures used by the RICs and the DI. The modeling of procedures was undertaken in accordance with international best practices and standards. It provides for simple and easy procedural modifications and for the easy introduction of new procedures. The four RICs mentioned above and DI are currently revising Version 1 of the Manual of Procedures. As soon as it is approved by the group, it will be forwarded to all the RICs for their information. The project's objective is to have the Manual of Procedures approved by the national administrations, through a process of consultation with their regional delegations. At the current time, any given central administrations may have regional delegations that collaborate well with the RICs and others that do not, and the amount they charge for a service and the documents they request may vary from one region to the next. This can lead to administrative delays of varying duration and tensions between the RICs / Walis and regional administrations.

Performance indicators for the RICs

Our consultant, Faouzi Mourji, has developed indicators of performance to assess the RICs' work. In fulfilling his scope of work, he met with the RICs of Meknès, Kénitra, Tangier and Casablanca to discuss his mandate, to assess the RICs' needs and to become fully acquainted with their work. He noted that none of the RICs had work plans and most of them were unfamiliar with performance management and results management. In addition, he noted that the issue of measuring their performance is a very sensitive one. The performance indicators were developed at the request of the DCAE, which insisted on the need to develop "intelligent indicators" that can account for regional differences and avoid a subjective evaluation of the RICs. At the same time, another department of the Ministry of Interior expressed its needs for indicators on which to base the Ministry's budgetary allocations to the RICs. Mr. Mourji's draft report is currently being revised by our team. It will subsequently be sent to all RICs and to the DCAE for comments. A meeting open to all will then be organized to come to a final decision as to what indicators and methodology should be used by the RICs.

Develop computer applications

The project tasks include the development of computer applications for automating the procedures of the RICs, while accounting for applications already in place. Various computer applications are currently used by the RICs for business creation and to process investment projects. The seven largest RICs, which create large numbers of enterprises, use computer applications for business creation. They also have in-house databases (mostly developed with Microsoft Access) for investment projects. Given the small number of investment projects and the slower rate of enterprise creation they experience, the smaller RICs, with the exception of one, choose not to acquire any computer solutions.⁴ It is, however, the wish of the Ministry of Interior that all the RICs use similar management tools and computerized procedures.

⁴ The development of the first application for business creation was undertaken for Agadir in the course of an USAID-funded pilot project for the One-Stop-Shop for business creation. The computer solution was developed after the single form mentioned above. After the RICs were created, another computer solution was developed based on the technical specifications used for Agadir.

While we prepared to choose one of the computer applications, some of the RICs asked that we conduct an independent assessment of the two computer applications used. We proceeded as suggested, and our expert confirmed that both applications were satisfactory and performed very well.⁵ In light of this, the financial analysis led us to select the application developed for Agadir since it is the property of the Ministry of Commerce, and could be made available to each of the RICs for only a small charge (for modification, installation and training of users).

Concurrently, Jean-Michel Mas, who was involved with the introduction of the One-Stop-Shop for business creation in Agadir, developed the technical specifications to computerize the procedures linked to investment. In the process, we realized that creating businesses (in Guichet 2) is just one more administrative procedure managed by the RICs, and that it could well be managed by the same computer application.

The administrative workload of the RICs has been steadily increasing since they were created. For instance, the RIC of Marrakech processed 745 permits for mining exploration in 2004. The mining permits involve several administrations and represent just one of the 19 administrative acts managed and simplified by the RICs.

To ensure greater efficiency of the RICs, we are proposing a system for internal management (business creation and servicing of investors) that would be web-based, and jointly used by the RICs and the Department of Investment.

RICs and DI will access the computer application through the a Virtual Private Network (VPN) that is entirely secure. Information will be transmitted as per EDI international standards. Only a computer, a printer and an Internet connection will be needed for a RIC or DI employee to access the network. For a very small cost, RICs will be able to open antennas at the level of the provinces and local counties (communes) as suggested in the Royal Letter, hence taking the decentralization of investment promotion further into the beneficiary communities.

The centralized database will allow the DI to proceed to fine analysis of investment in all regions. By standardizing the process, all RICs and the DI will use similar forms, and input similar data.⁶

By deploying from a single server the software needed for hosting, networking, maintenance, and anti-virus, the system will share costs and free smaller RICs from the financial and technological burden associated with the maintenance of complex information systems. It will provide improved standard delivery throughout the country ,

⁵ See Tarik Fdil, Création d'entreprises: évaluation des applications informatiques des CRI. July, 2004.

⁶ It is worth mentioning that provision of greater access and decentralized services through the use of new information technology and the Web is an international trend. But in order to decentralized services, data must first be centralized. For example, the development of a unique identity for enterprises (identifiant unique) requires a centralized database of all enterprises.

citizen access and accountability. It will also help Morocco fight informality and corruption by instilling better governance.

Type of Information being made transparent	Resulting benefits
Rules and procedure governing services - public officials responsible for different tasks	Standardizes procedures for delivery of service. Reduces arbitrariness, e.g. demand for additional documents
Information about decisions and actions of government functionaries: outcome and process e.g. award of permits and license, allocation of resources .	Exposure of corruption and improved accountability
Information on performance of investment: Statistical employment, income, etc. Performance indicator for Government departments	Civic engagement in governance Greater accountability

Just as the Manual of Procedures provides for easy modification and expansion, the computer solution will be simple to modify in order to accommodate changes in procedures and increased decentralization.

Should there be resistance to the fact that we use a virtual network (which is fairly new in Morocco– only OMPIC and le Cadastre are using it), the applications could be installed on the servers of each individual RIC. The RICs could still share a Virtual Private Network among themselves and their partner administrations. A general meeting to discuss the matter was scheduled for December 17, 2004, but it was cancelled by the Ministry of Interior. Because we could not delay any further the development of the application, we held bilateral meetings with many of the parties involved. We presented and explained our system to the Ministry of Interior, the Department of Investment, and over 10 RICs. All those present supported the idea. The only resistance expressed so far comes from the RICs of Casablanca and Marrakech. We hope they will see the benefits of the VPN once it is online.

In addition to Mr. Mas' work, MTDS conducted an in-depth study on the potential for creating a technological platform at DCAE, and provided it with indicative figures for the acquisition of the equipment required, if application and database were to be installed within the Ministry of Interior. Our recommendation and preferred option is that the platform be hosted outside MI by a provider specialized in such services. Although it must

be noted here, that the Ministry of Interior has the best technological platform in Morocco.

A.2 Creation of public/private partnerships for regional economic development

Broad regional partnerships are envisaged to stimulate regional economic development. As required by our contract, the following activities were organized in 2004:

Study Tours to the US

Two study tours to the United States were organized for 14 RIC Directors, two employees of the DCAE and two from the DI. The first group of eight participants went to Georgia and South Carolina (April 20-30), and the second party left on September 28th, bound for Washington, D.C., Virginia and Maryland. They returned on October 8th. The objectives of the study tours were to see how regional economic development agencies in the U.S. are structured both organizationally and operationally, how they promote investment (tools, strategy, funding, etc.), and how Private Public Partnerships (PPPs) can be used as a means for regional economic development. We also hoped that the participants' exchanges with their American counterparts would broaden their perspectives on the role and mission of the RICs.

The participants were highly impressed by the PPPs for regional economic development in general, and by the strong involvement of both the private sector and the educational sector in the planning for regional economic development and the marketing of the regions in particular. In terms of lessons learned, the participants have reported the following:

- Regional economic development is the responsibility of local communities, the private sector and educational institutions, as much as it is that of the government;
- Different players in regional economic development bring different sets of expertise that are complementary, as evidenced by the most interesting and relevant experiments encountered during the OST;
- The skills and qualifications of the workforce are fundamental to attracting investment;
- Regional economic intelligence is an essential part of the regional information system used to target and attract investors, as is the availability of this information on a website;
- Land, buildings and property in general are key to any effort to attract investors;
- Investment promotion agency structures should be light and flexible;
- It is important for attracting investors to work with existing industries and enterprises;
- The language of international and business communication is English;

- Moroccan entrepreneurs neglect the American market and the opportunities it offers;
- An approach focused on cluster development could be of great value to Morocco.

The RICs expressed their interest in creating several working groups to see how best they can implement some of the ideas and practices they observed in the United States. These will be discussed at their coming semi-annual forum to be held in Marrakech on January 7th & 8th. For more detailed accounts of the study tours, please refer to the resultant reports.⁷

Training for local leaders

In 2004, Andrew Thorburn and Abdellatif Mazouz offered eight training sessions for regional leaders in Agadir, Settat, Beni Mellal, Casablanca, Safi, Marrakech, Oujda and Tangier. A total of 202 individuals took part in the training sessions on regional economic development and investment. Through the RICs, we invited locally elected officials, business organization leaders, the directors of regional administrations involved with economic development and the most active professional associations. In most cases, the *Walīs* chaired the four-hour sessions. The objectives of the sessions included the synchronization of the regional decision makers' approaches to economic development, the promotion of a common basic understanding of the role of investment in regional economic development and the development of support for the RICs. The impact of these activities is not easily assessed. However, while the capabilities, interests and levels of authority of the participants differed largely from one region to the next (ranging from high-profile decision makers to basic administrative staff), these efforts have received a warm welcome overall and appear to have been greatly appreciated. The expertise of the trainers and the highly relevant content they developed accounts for much of the success of these programs. We will continue to offer these training sessions in 2005.

Identification of best practices

The identification and dissemination of Moroccan best practices worthy of replication in the general area of public/private partnerships, including business incubators, industrial park development, training programs for PME, and outreach to regional business is now underway through the project's web-based newsletter (see below). Our experience after working one year with the RICs, however, has been that the information about each individual RIC generally travels very efficiently, though in an informal manner. While we have managed to document in detail some of the practices through interviews and visits and incorporated them into our inaugural newsletter, we have realized that all of our partners can contribute to the development and collection of best practices and they generally prefer to maintain their informal system of sharing these. In addition, our study tours to the U.S. helped identify numerous international best practices and they have been

⁷ Voyage d'étude en Georgie et en Caroline du Sud, June, 2004, and, Voyage d'étude à Washington, D.C., en Virginie et au Maryland, October, 2004.

shared by Andrew Thorburn, our investment promotion specialist, with the RICs' staff and directors, as well as with the regional leaders whom he has met.

Web-based newsletter

As stated in our contract, the objective of the newsletter is to provide updates of best practices and relevant information on investment promotion techniques and investor aftercare.

A first web-based newsletter was produced by the project in October. A second newsletter will be published in January. The project will then train a team at the DCAE to take over the production of the newsletter for the RICs under the project's supervision. The demand for a newsletter originated initially from the DCAE, which was likely influenced by an interest in international benchmarking. However, as mentioned earlier, due to the fact that information seems to travel well informally among the RICs, many of the directors do not feel the need to make use of this platform and do not wish to contribute to it. In addition, the DCAE, being new to investment promotion, largely underestimated the resources required to produce a useful and interesting newsletter. In light of this, we are not entirely convinced of the sustainability of this effort. The Web-based newsletter is available on the project extranet at the following URL:

<http://www.performancemaroc.com>.

Semi-annual forum for the RICs

The first semi-annual forum of the RIC Directors was held in Tangier on June 24th & 25th.⁸ 14 Directors and two representatives of the DCAE attended the meeting. The objective of the semi-annual forums is to provide the RIC Directors with the opportunity to exchange experiences among themselves. We seized the opportunity of having the RICs together in order to update them on our activities. In the tentative program, we also proposed to facilitate a session intended to identify common issues which could potentially be addressed and resolved jointly. This first semi-annual meeting led to some very important progress and lessons learned for the project:

- While the RICs worked very well together when they were created and helped each other with the organization of their One-Stop-Shop for business creation, they now seem to have entered a phase of competition for investment that does not foster cooperation among them.
- RICs fill a void within the regions where no single administration acts as a catalyst for efforts aimed at regional development. The *Walis'* pressure on the Directors for speedy results seems, in some cases, very high. The Directors want to deliver and ask for our immediate assistance to "get investors here." In this context, our efforts to streamline and standardize procedures, to promote

⁸ Première rencontre semestrielle des directeurs de CRI, Daif Abdennasser, July, 2004.

transparency and good governance and to improve the quality and efficiency of the assistance to investors are not perceived as priorities.

- Absence of a shared understanding of their role and mission provides for the RICs to be divided into three main groups. A first group of RICs see themselves simply as one administration like any other. The second group comprises the RICs that are eager to play an active role in regional development; more-or-less similar to that of the regional agencies they visited in the U.S. Lastly, a few small RICs located in regions with limited economic potential seem unconcerned by the debate and typically remain silent. Different RICs have different needs and numerous individual demands. It is a challenge to keep them all involved in the project, and to work in the interests of the group as a whole.
- The DCAE and the RICs have different perceptions of the line of authority between the RICs and the Ministry of Interior, as well as of the role of the DCAE itself. While their administrative link to the Ministry of Interior has helped them establish a high profile within their respective regions, some of the RICs mistrust the DCAE's efforts and intentions toward them. They have reminded us that they fall under the supervision of the *Walis* and not under that of the DCAE.

In Tangier, some of the RICs strongly expressed their frustration with the project, which they had hoped could address some of their more pressing issues. They boycotted the part of the agenda that dealt with the identification of potential cooperation on common problems. Considering that the project's objectives at this meeting reflected the demands of the DCAE, the RICs asked that it be revised to accommodate them.

RICs are not likely to ever speak in one voice in the near future. They will remain cautious of everything linked to the DCAE and, in spite of all our efforts, they do not easily see the importance of system and procedures, results management, work plans and clear objectives. Transparency and good governance, in their views, are not urgent considerations and they do not see how closely tied those are to investment. Exchanges in Tangier were a little tense but they were very straightforward and honest, and we feel it is very important that RIC Directors continue to meet through the project.

A.3 Enhanced capacities for investment promotion

Development of regional strategies

Hands-on assistance to the RICs with the development of promotional strategies and information about their regions and sector opportunities for foreign and domestic investors is being provided by the project to three regions: Marrakech, Oujda and Casablanca/Settat. These strategies aim at addressing some of the most important challenges facing the RICs and the DI. These include:

- A desire to attract investors to the regions without being able to articulate what role the investors could/should play in the context of the regions' economic

development. The result of this shortcoming is that there is no clear definition of the sectors or geographic areas to be targeted and little understanding of the product characteristics that need to be developed in order to present a competitive and attractive offer to a potential investor.

- There are many organizations and actors at both a national and regional level who have agendas and budgets focused on support for particular aspects of regional development (transportation infrastructure, education, rural development, etc.) that do not share a common vision. Studies are being commissioned and strategies developed at a national and/or regional level that have no regional coherence and no shared understanding of critical priorities. The result is much activity, but little progress.
- There is no coordinating body for economic development in the regions. Accordingly, some RICs see a much wider role for themselves since both they and their respective *Walis* recognize the nature of the vacuum and the need to address it if the regions are to have larger input into their own destinies.
- The links and areas of cooperation between the DI and many RICs are relatively unproductive because neither party fully understands the needs of the other. The DI sees its role as strictly promotional and is relatively inactive in generating actual investment leads. It does not see a role for itself in working with the regions on product development issues or coaching them on the development of marketing or promotional materials that meet international standards. On the other hand, the regions do not have the skills or knowledge to either analyze their products from an investors' perspective or to put in place a product development strategy. Thus for the most part they are unable to provide the DI with what it really needs.

While there are no easy solutions and the project must be realistic about what it can achieve given its limited resources, we have created a methodology to address these issues in a constructive and sustainable manner. The way forward for both the regions and the RICs is to start the process of regional economic development planning to help regions move in a concerted and focused manner from analysis to action.

Experience in Europe and the U.S. shows that regional economic development strategies are most successful in generating results when all key regional actors are involved in the process of data collection, analysis, strategy building and implementation. While building a consensus among previously competing groups and organizations is an arduous process, the collective strategy tends to be easier to implement because all parties understand their role and how it contributes to the overall regional vision. We have thus proposed to work with three regions to pilot this methodology in Morocco.

These regions have been chosen because they represent three different types of regional development challenges. Together we estimate they account for 37% of the active population of Morocco, and more than 50% of the country's GDP.

The Casablanca and Settat regions have agreed to develop a joint strategy. The regions complement each other with Settat providing excellent land assets and a low cost base, while Casablanca combines the sophistication of a major metropolitan region with an excellent services and logistics infrastructure, good R&D facilities and a relatively skilled workforce. The challenge here is to help the region become world-class rather than simply of relatively good standing.

The Marrakech region has few apparent problems. However, the bulk of its wealth creation and employment activity is based on international tourism. The region is keen to diversify away from this mono-industry to a more broad-based economy. The strategy will focus on identifying opportunities for diversification that build on existing strengths and opportunities.

The Oujda region has many apparent problems and is a development priority for the national government. The region has a closed frontier with Algeria, high unemployment, a large and relatively unproductive agricultural sector and no key industries. The local challenge to SMEs and investors is further compounded by the unregulated activities of smugglers and the presence of counterfeit goods, which makes it hard for local producers to survive. There are many initiatives and studies underway in the region, and the challenge identified was to bring them together and move from analysis to focused action. With 50% of the regional population under 15 years old, the region must urgently tackle the issue of job creation to avoid significant social unrest.

The methodology we have developed builds on the basis that the regions take the lead in organizing and financing both the strategy development process and the resulting action plans. Andrew Thorburn, assisted by Abdellatif Mazouz, brings the technical expertise, tools, training and supervision to the Strategy Development Commissions, which consist of key regional actors and individuals from the working groups they have created.

The Strategy Development Commissions and the working groups for Settat, Marrakech and Casablanca have almost completed the collection of the regional information that will lead, early next February, to the detailed SWOT analysis and the identification of priority sectors. In the case of Oujda, the region choose to work from the Strategy developed through the GOLD Maghreb initiative.⁹

In Morocco GOLD is working with 4 Regions (Tangiers, Marrakech, Orientale and Fez) two of which (Orientale and Marrakech). Using a methodology called “*Cartes des risques et des ressources*” the GTR identifies regional priorities and projects that focus on the social, economic and cultural development of the region. The output of this work is a Regional Marketing Report, which is circulated to potential partner organisations and regions that might be interested in participating in or supporting some of the projects. The initiative aims at reinforcing the decentralization process through supporting inter-regional cooperation and promoting development through a participatory process involving local administrations, associations and the private sector.

⁹ GOLD is an acronym for *Gouvernance Locale de Développement*, a UNDP-funded initiative.

We also think that Oujda had everything to gain in working with us, since USAID's project is narrowly focused on economic rather than social development, and will produce more specific actions based on the need to create jobs and wealth through investment and improvement of the business environment. At the same time, we perfectly understand Oujda's wish not to repeat what appears to be done. When our team moves into the development of action plans for the strategies, Oujda will resume its work with the project.

In the meantime, we are trying to locate an expert on the development of chains of suppliers for Oujda to hire outside the project budget. Given the Plan Azur Investment in the Orientale, we would like someone to examine what a tourism cluster would look like, and how it would service investors in tourism. To maximize the regional economic impact of the Plan Azur, it is essential that such a cluster develop. This analysis would subsequently feed into the Orientale work plan.

Some key international information will also be required to target sectors and investors. These are mostly informational databases which can be accessed through a yearly subscription. We negotiated the acquisition of LocoMonitor (<http://www.locomonitor.org>) on a cost-sharing basis with the DI, and the RICs of Casablanca, Marrakech and Settat. Their investment in this subscription further enhances the sustainability of the initiative. The question that remains is how the smaller and less advanced regions can access these costly sources of information. Underlying this is perhaps another equally important question: do all the regions of Morocco have potential to attract FDI and should they all be active in investment promotion? The answer to both questions may open additional avenues of cooperation between the DI and the RICs. Training on the use of the database will be provided by an OcoConsulting expert from Ireland to 15 employees of the RICs involved in this component, along with the DI and DCAE. We hope to have the training provided the same week as the semi-annual meeting of RIC Directors. The OcoConsulting expert could then provide a demonstration of the database for the benefit of all the RICs.

For their part, the DI involved some of their project managers in the various regional Working Groups, and they will get more involved when the groups move from data collecting to data analysis. As RIC employees learn in doing this, so will the DI employees. This would be particularly relevant that the DI, in the near future, should consider doing sector studies at the national level. Since the methodology for national analysis is the same as for regional analysis, it seems relevant to have the DI employees benefit from the expertise we are bringing to the selected regions. The exercise will also further exchanges between the two.

Oujda is not involved at this stage and will be invited to rejoin the group next spring when the project moves to the development of work plans for the strategies' implementation. Oujda, like three other RICs, is involved in an UNDP initiative for Arab countries named GOLD. The initiative aims at reinforcing the decentralization process through supporting inter-regional cooperation and promoting development through a

participatory process involving local administrations, associations and the private sector.¹⁰

Training in investment targeting, principles and structure

A first, three-day training session on regional economic development and investment was organized in Settat in May 2004. A total of 26 employees from 9 RICs¹¹ and the DI attended the session facilitated by Andrew Thorburn and Abdellatif Mazouz. Topics included in the program were: Trends and Dynamics of Foreign Direct Investment (FDI) in 2004; Understanding Investors' Needs; the Role of Regions in Attracting Investment; Benchmarking Your Organization; Using the Information to Identify Strengths to Promote; Creating Filters to Select Key Sectors for a Region; Creating a Marketing Strategy; the Role of Clusters in Developing Competitive Strengths; Turning a Lead Into an Investment; the Role of Property in the Regional FDI; Investor Aftercare and, Backwards Linkages – Maximizing the Impact of FDI Among the Local SMEs. Due to lack of time, and the additional time required to facilitate a participatory approach, the last three topics were not entirely covered.¹²

The training was well received and appreciated by all the participants. RIC employees initially had little or no notion of investment in general, nor of FDI in particular. During the training, they realized that their work called for specific skills they did not have, and that Morocco's competitors were highly specialized in the work of attracting investors and making FDI work in the interest of SME development and the national economy. If the DI and the RICs so wish, we shall offer a similar training program in 2005.¹³

B. Assistance to the Investment Department

B.1 Strengthen the functioning of the investment directorate and its information system

Organizational review of the Investment Department

In Spring 2004, Samuel Morris (former COP) conducted a brief organizational review of the DI. The objectives of the review were the same as the objectives of our visit to the RICs at project start-up: to see how the DI is structured, organized, and staffed, and to observe generally how it operates. The reader is referred to the full report produced.¹⁴ In summary, Mr. Morris noted the following:

¹⁰ The program is oriented toward social development. See Nov. 28 Weekly.

¹¹ For this first training, we gave priority to the regions where the training of local leaders described earlier had previously been held.

¹² See Atelier de Formation en Développement Régional et Promotion des Investissements: 18 au 27 mai 2004, May, 2004.

¹³ Referring to the skill levels of IPAs, a regional benchmarking classified Morocco in the group of countries lagging behind, but with good potential to attract FDI. See Investment Promotion Tools in the MEDA Region, ANIMA Papers & Studies # 2, September, 2004.

¹⁴ See Revue organisationnelle de la Direction des Investissements, June 7, 2004.

- The budget allocated to the DI is inadequate. Mr. Morris based his evaluation on a publication by UNCTAD¹⁵, which reports that the average promotion budget of IPAs worldwide is \$1.1 million. In contrast, the DI claims around \$100,000 as a budget for promotion.
- Despite being under-funded, the DI is overstaffed (62 employees). According to the previously cited Advisory Study 17, the general IPA profile has a staff of 29 employees.
- The culture of an effective IPA is more oriented toward the practices of a private sector entity than to those of a government administration. The obligation of the DI to follow the practices and procedures of government administration in procurement, contracting for services, personnel recruitment, remuneration, and approvals for travel, etc., constrain the promotion activities of the DI.
- The DI is not structured to do aggressive marketing. It is separated into divisions, as would be any other civil administration. A restructured Department of Investments under a Board of Directors with substantial private sector representation would advance the program of economic development.
- When it was first established, the investment promotion program's purpose was the recruitment of new business and industry. Today's policy tends to concentrate some of the economic development agency's efforts on existing industry. This helps the promotion agency to recognize both the strengths and the deficiencies of its product. The DI has no Existing Industry Program and very little knowledge of national enterprises.
- A large number of IPAs have established overseas offices. Tunisia's FIPA (Foreign Investment Promotion Agency), one of Morocco's competitors, has overseas offices in Italy, France, Germany, the U.K. and the U.S. The DI has no representative offices overseas.
- It is recommended that the DI change its name to include Morocco in its title so that it is readily identified as the agency responsible for investment in the country.

In the end, Mr. Morris concluded that the DI is a young organization. It is constrained by the old structures and procedures that it has inherited from other governmental institutions. Globalization and rapidly changing market situations make heavy demands on the information processing and decision-making capabilities of any promotional agency. A civil administration entity is not well adapted to the flexible response and effective customer service that is required in today's highly competitive investment promotion environment.

¹⁵ UNCTAD, Advisory Studies 17, The World of Investment Promotion at a Glance, A Survey of Investment Promotion Practices, New York and Geneva, 2002.

Notably, the young staff of the DI impressed Mr. Morris with their knowledge and eagerness to make progress.

Manual of organizational principles

Subsequent to his brief organizational review of the DI, Samuel Morris produced a Manual of Organizational Principles which included a broad proposed restructuring of the DI. The Manual presents a new organizational chart for the DI, describes the role and functioning of departments including that of an Existing Industry Program, and proposes summary job descriptions. It also describes promotional activities that should be undertaken by the DI, and how representatives abroad should function.

The objective of the Manual is to suggest a different operational structure for the DI. The organization should now take the Manual, distribute it to all its employees, create working groups to study the recommendations, and modify the document through an internal restructuring process. The DI expressed the wish to proceed that way once they finish developing the content for the investment portal website.

One of the chapters of the Manual focuses on the creation and management of product files, marketing files and project files. Even if the project's resources do not provide for the development of an information system as the DI was hoping, we believe that the suggestions made to the DI in terms of how their internal information system should be organized will be useful.

Procedures manual and internal management applications

In working with the DI and the RICs, we realized that many of the objectives of the Manual of Procedures for both organizations were the same: to streamline and standardize the services offered so as to provide better quality and to increase efficiency. Furthermore, since all the procedures were the same for the DI and the RICs, with the exception of one, and since even agreements for investment projects of over 200 million Dirhams must be approved at the regional level¹⁶, it was decided in agreement with the DI and the RICs to develop one Manual of Procedures for all investment related procedures.

The computer applications to be developed for the RICs and the DI will therefore be the same and, we hope, all files will be kept in one central database, which should ease the exchange of project documents. Currently, both public data and investors' confidential information are exchanged through regular e-mails and with total disregard for minimum security standards and internationally accepted protocols on the transmission of such data.

B.2 Development of an investment promotion information system

¹⁶ As a reminder, RICs were granted authority over projects of less than 200 million Dirhams. Projects above that amount are approved by the National Investment Commission headed by the Prime Minister (the Commission's Secretariat is the DI). Not sure what you mean by "ensured".

Portal site for investment promotion

A DI priority for this project was to have a portal website for investment promotion. It did set up a working committee to assist our sub-contractor, ARGAZE, in its work. The site was developed after an international benchmarking of IPAs throughout the world and is entirely parametrable and dynamic. Oriented towards the development of an e-marketing strategy, it collects information and manages leads. It took six months for ARGAZE to complete its work. The site is currently hosted on the DI server. It is not yet on-line because some of the content remains to be developed by the DI staff, who have been monopolized all Fall with the organization of their annual conference on investment (*Les Intégrales de l'Investissement*). Once completed, it will be translated into English by the project in order to ensure quality control of the English version.

The DI portal website provides in-depth information on the Regions of Morocco. On the site's main page, a map of the country illustrating the 16 administrative regions takes the visitor to more information pages on each region, the RICs and their individual websites.

Over the course of the collaboration between the DI and the RICs on this project, the DI will likely be given access to detailed information needed by investors on issues such as property, cost of labor, workforce skill levels, etc. – information that the Working Groups associated with the regional strategies are currently collecting. DI expressed much interest in integrating this type of information, and ARGAZE remains available, at no additional cost, to incorporate any joint databases that hopefully will be developed through the increased cooperation between the two entities.

Promotional website

The project agreed to the DI request for the development of a small website to promote the various events it organizes. The site was developed for the conference on investment. It is entirely parametrable and can easily be modified through its front office interfaces. It will be used by the DI to promote its conference on investment in Arab countries, for the future editions of *Les Intégrales* and any other event organized by the DI that requires advertising.

C. Project Management and Administration

The third quarter of 2004 was marked by the departure of Chief of Party Samuel Morris who resigned from his position and left Morocco on July 7th. Per his contract, Mr. Morris was to be involved in the project until March 2005. The decision was made not to recruit a new Chief of Party for the remaining months.

Instead, Chemonics proposed recruiting Andrew Thorburn to act as the Investment Promotion Specialist on a recurring short-term basis. Mr. Thorburn is a senior investment promotion, trade, and export specialist with more than 15 years of experience. He has served as a senior management advisor for economic development and investment

promotion agencies in the Czech Republic, Poland, and Lithuania on marketing, training, operations, site development, investment policy and overall development strategies. Mr. Thorburn will spend the equivalent of 10 days per month in Morocco until the end of the project. In the process of reorganization, Abdellatif Mazouz's LOE was increased from two-and-a-half days per week to four days per week, and Suzie LeBlanc was appointed Project Director.

The project is also making increasing use of the extranet it developed to communicate with its partners. The extranet was placed on-line in June, and user accounts for all of the RICs' and the DI's employees were established in July. All project reports are available on the extranet and, in addition, the project posts articles and specific information on investment, as well as the Web-based newsletter.

The objectives of the extranet are to ease communication with our numerous partners and to provide the RICs' staff with general information. More importantly, we hope to promote the everyday use of the Internet as a means to stay abreast of relevant developments in investment promotion. Due to the fact that the RICs' employees are dispersed over a large territory and often work in isolation, we feel that the Internet could supplement the lack of direct access to training, conferences, seminars, etc., and we aim to promote its use. Results achieved so far are deceiving. Few RIC Directors are themselves Internet users, and therefore do not encourage their staff to spend time on the Web to upgrade their knowledge. RIC employees do not have internet access in their homes the way we do in North America, and have very little time during working hours to devote to the exercise.

On our part, we grossly underestimated the amount of work required to use such a tool in a dynamic and efficient manner. Two days a week should be devoted to the management of the Intranet, which is inconceivable given our workload.

Also, the fact that the majority of RICs employees still work without the motivating status mentioned in the Royal Letter, two years after the Regional Investment Centers were created, has a strong impact on their motivation and willingness to invest further in the acquisition of additional skills. Some of the employees that took part in the training we offered in Settât have left the RICs to take up opportunities elsewhere. Others are actively looking for other work. So far, only contractual employees have seen the problem of their status solved. The bulk of RIC employees (80%) are paid the basic salary they had in their previous administrations, but are not paid any of the bonuses and benefits they are entitled to receive, even if new benefits have not been set up for them.¹⁷

While the Royal Letter specifically mentioned that employees of the RICs would benefit from a special and motivating status, the problem linked to the granting of this status to the majority of RIC employees remains unsolved.¹⁸

¹⁷ Bonuses and various benefits can represent over 70% of total remuneration.

¹⁸ Not surprisingly, RIC Directors find the situation unmanageable. On several occasions, they requested our assistance in solving the matter. We have thus far limited our interventions to oral reminders and

CONCLUSION

The first year of project implementation has been extremely rich in learning that has contributed and continues to contribute to better choices and approaches on our part. Yet pressure on our team has been intense at times and remains so. There are various reasons for this, including the large number of partners and limited resources, administrations that are not really interested in collaborating with each other, and competition among RICs. The fact that the scope of some of the project's deliverables can be subject to different interpretations has also created difficulties. Depending on the reader, "information system" for instance, can mean an inexpensive internal communication network or a complex, centralized database containing all the information required by investors that is updated automatically by a set of regional databases. In this context, our partners argue that their understanding should prevail when they feel it is in their interest to do so. In addition, This situation has not been improved by the fact that outputs expected at the end of 2004 will instead be delivered at the beginning of 2005. We believe that continued focus on RIC communication and collaboration through the trainings, and the other activities noted above will yield visible improvements in the project operating environment over the coming year.

Efficiency is doing the best we can given the resources we have. We think we managed to ensure sustainability to most of our activities, and the knowledge we have gained of our partners, investment in Morocco, and regionalization has convinced us more than ever of the relevance and importance of this project. We are thankful to the staff of USAID/Morocco's Economic Growth Division for their constant support.

questions to our partners at the Ministry of Interior, without any results. We will shortly issue a memo detailing our findings and recommendations for employee salaries at the RICs.